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Status of possible funding arrangements for the capital master plan

Report of the Secretary-General*

Summary

In accordance with the provisions of section II, paragraph 29, of General Assembly resolution 57/292, of 20 December 2002, the Secretary-General is pleased to submit the present report on the status of possible funding arrangements for the capital master plan, as well as the status of the appropriation provided by the Assembly for the first phase of the design work.

* Submission of the report was delayed pending receipt of the loan offer from the host country.

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1. It will be recalled that, in accordance with the provisions of section II of General Assembly resolution 57/292, the Secretary-General submitted to the General Assembly the first progress report on implementation of the capital master plan (A/58/599). That report addressed, inter alia, issues on the status of contributions from public and private sources for financing the project, cooperation with the city and state of New York on the project and the progress of the design work. The present report on the status of possible funding arrangements for the project complements that report and highlights further developments with respect to the capital master plan project.

2. On 20 February 2004, the host country Government informed the Secretariat that, as host country for United Nations Headquarters, the United States of America had extended an offer to the United Nations to lend it $1.2 billion to finance the capital master plan. The offer is of a provisional nature, subject to approval by the United States Congress. Under the terms of the offer, the host country would provide financing in segments, at the request of the United Nations, during the construction phase of the capital master plan. Interest would be paid annually on the advances received, at a rate of 5.54 per cent.

3. Under the scenario proposed by the host country, $400 million would be advanced in each of the first three years of construction. Based on that scenario, the interest payable on the construction loan would be as follows:

(United States dollars)

Year	*Cumulative amount advanced*	*Annual interest payable*
1	400 000 000	22 160 000
2	800 000 000	44 320 000
3	1 200 000 000	66 480 000
4	1 200 000 000	66 480 000
5	1 200 000 000	66 480 000
Total interest on construction loan		**265 920 000**

4. Under the proposal from the host country, once construction has been completed, after five years, the construction loan would be converted to a loan repayable over a 25-year period, with an annual interest rate of 5.54 per cent. Based on that rate, the amount of repayment, including principal, would be $89,808,700 annually over the 25-year life of the loan. The total amounts to be repaid to the host country under the terms of the loan would therefore be $2,511,137,500, detailed as follows:

(United States dollars)

Loan principal repaid	1 200 000 000
Interest during construction	265 920 000
Interest paid over 25-year period	1 045 217 500
Total interest and principal paid	**2 511 137 500**

5. The General Assembly, in paragraph 25, section II, of its resolution 57/292, appropriated $25.5 million for the first phase of the design work for the capital master plan. The first phase of the design work has commenced and is likely to be completed at the end of 2004 or by February 2005, at the latest. The appropriation provided by the Assembly will cover the costs of completion of the first phase of the design. A detailed account of the expenditure to date and the anticipated expenditure in 2004 is provided in the annex to the present report.

6. In paragraph 26, section II, of its resolution 57/292, the General Assembly gave authority to the Secretary-General to enter into commitments of up to $26 million for the second phase of the design work. The Secretary-General currently anticipates that the amount will be adequate to cover the second phase of the design work, which is anticipated to commence in 2005 and to be completed by early 2006.

7. **The Secretary-General recommends that the General Assembly**:

(a) **Note with appreciation the intention of the host country Government to offer a loan to the Organization**;

(b) **Note that the loan is anticipated to be offered as repayable with interest, which would increase the overall cost**;

(c) **Request the Secretary-General to consult further with the host country authorities on the exact terms and conditions of the loan and to report on the outcome of such consultations to the Assembly at its fifty-ninth session**;

(d) **Request the Secretary-General to explore other funding opportunities, including contributions from public and private sources**.

Annex

Estimated expenditures for the first phase of the design work for the capital master plan

(Thousands of United States dollars)

	2003	*2004*
Design contractual services	600.0	16 400.0
Consultants and experts	180.0	220.0
Programme management, supervision and administration	2 540.0	5 560.0
Total	**3 320.0**	**22 180.0**